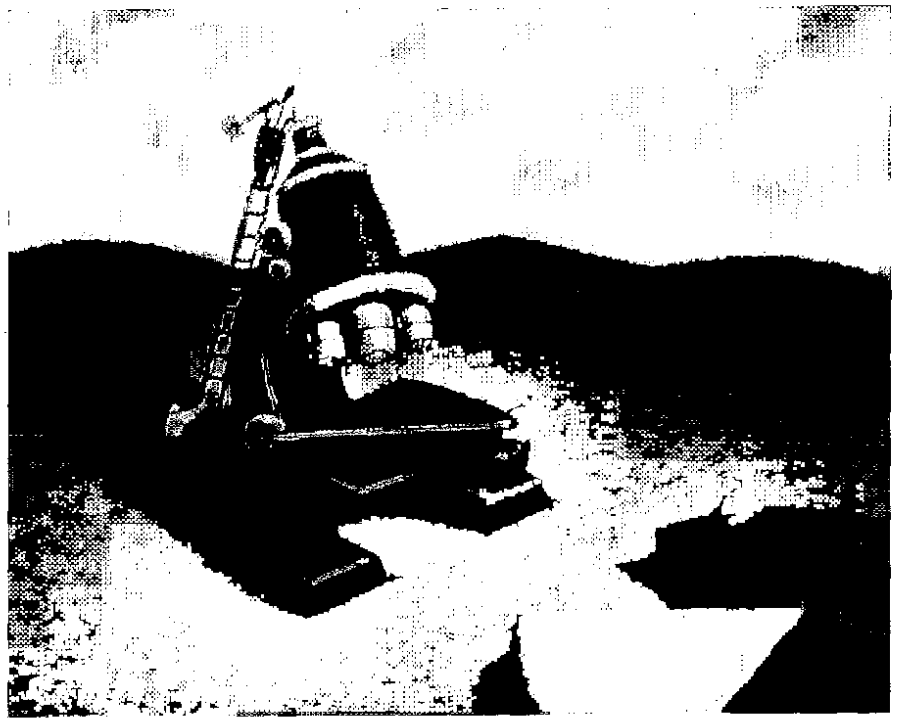
# Management Science Associates, Inc.



*Fall VWear 1998*
*Post Program Analysis*
*March 19, 1999*

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# Agenda & Key Findings

## Program Results:

54M adult smokers (21 and older), or 4.7% of adult Virginia Slims smokers responded to Fall VWear 1998.

64% of program responders had participated in at least one other VWear continuity program.

## Responder Demographics:

Response by age and region was consistent with previous VWear programs. Program participants in the 35+ age groups continue to be the most responsive demographic groups.

Item appeal appears to be fairly consistent across age groups.

## Media Vehicles:

Direct mail was the primary vehicle of Fall VWear 1998, accounting for 71% of orders processed and 73% of UPCs Redeemed.

Younger smokers, 21-24, showed the greatest tendency to redeem through non-direct mail channels.

## Order Patterns:

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The order curve resembled VWear order curves of the past except throughout the middle weeks of the program where orders remained flatter than is typical.

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# Program Specifics

| | |
|---|---|
| PROGRAM LENGTH | 3 months |
| START DATE | 6/22/98 |
| END DATE | 10/1/98 |
| TOTAL ITEMS | 7 |
| RANGE UPCs | 60-135 |
| AVG ITEM UPC COST | 89 |

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# Program Vehicles

| Vehicle | Circulation | Resp Rate | % Circ | %Orders |
|---|---|---|---|---|
| **Total Direct Mail:** | **1.2MM** | **3.1%** | **1.4%** | **70.5%** |
| Defensive | 520M | 5.4% | 0.6% | 51.2% |
| Offensive | 670M | 1.6% | 0.8% | 19.0% |
| YAF | 47M | 0.3% | 0.1% | 0.3% |
| **Total Retail:** | **3.5MM** | **0.3%** | **4.0%** | **17.7%** |
| Carton Insert | 3.5MM | 0.3% | 4.0% | 17.7% |
| **Total Other:** | **82.1MM** | **0.01%** | **94.4%** | **11.8%** |
| 1-800# | 1.3MM | 0.2% | 1.5% | 4.5% |
| Print | 40.8MM | 0.003% | 46.9% | 2.0% |
| FSI | 40.0MM | 0.01% | 46.0% | 5.3% |
| **Total** | **87.0MM** | **0.06%** | **100%** | **100%** |

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# Historical Response to VWear Programs

- Fall VWear 1998 program results were similar to those of other shorter duration/fewer item VWear programs (Spring VWear '95 and '98).
- Although the duration of Fall VWear '98 was shorter than either Spring VWear '95 or '98, items ordered and IPO were greater since more items were offered.

120

| | 95 VWear 1 | 95 VWear 2 | 96 VWear 1 | 96 VWear 2 | 97 VWear 1 | 97 VWear 2 | 98 VWear 1 | 98 VWear 2 |
|---|---|---|---|---|---|---|---|---|
| RESPONDERS | 63M | 96M | 119M | 113M | 108M | 112M | 68M | 54M |
| ITEMS ORDERED | 150M | 296M | 384M | 363M | 345M | 350M | 132M | 153M |
| UPCs REDEEMED | 11.4MM | 35.2MM | 31.0MM | 31.4MM | 36.7MM | 36.5MM | 15.9MM | 13.4MM |
| ORDERS | 64M | 97M | 124M | 118M | 112M | 118M | 69M | 55M |
| IPO | 2.3 | 3.1 | 3.1 | 3.1 | 3.1 | 3.0 | 1.9 | 2.8 |
| UPO | 177 | 365 | 250 | 266 | 327 | 310 | 229 | 244 |
| # ITEMS OFFERED | 4 | 12 | 15 | 11 | 14 | 11 | 5 | 7 |
| UPC RANGE | 25-140 | 40-325 | 30-225 | 20-210 | 25-315 | 30-275 | 30-245 | 60-135 |
| AVG. UPC COST | 69 | 120 | 90 | 90 | 100 | 129 | 119 | 89 |
| DURATION (WKS) | 22 | 29 | 25 | 29 | 31 | 32 | 25 | 18 |
| DM CIRCULATION | ------- | ------- | 1.3MM | 1.3MM | 1.3MM | 1.2MM | 1.3MM | 1.2MM |
| DM RESPONSE RATE | ------- | ------- | 5.0% | 5.2% | 5.4% | 5.4% | 4.4% | 3.1% |

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# Order Results

- The Make-Up Case (110 UPCs) was the most popular item, in terms of both items ordered and UPCs Redeemed; the Camisole (110 UPCs) was the least popular.

| ITEM | UPC COST | # ORDERED | % OF TOTAL ITEMS | % OF TOTAL UPCs |
|---|---|---|---|---|
| Make-Up Case | 110 | 44,308 | 29% | 36.4% |
| Cigarette Case | 60 | 32,040 | 21% | 14.4% |
| Lighter | 60 | 28,460 | 19% | 12.8% |
| Sweater (S, M, L, XL) | 135 | 17,586 | 12% | 17.7% |
| Evening Bag (Blue, Brick) | 70 | 12,444 | 8% | 6.5% |
| Scarf | 80 | 11,503 | 8% | 6.9% |
| Camisole (S, M, L, XL) | 110 | 6,458 | 4% | 5.3% |

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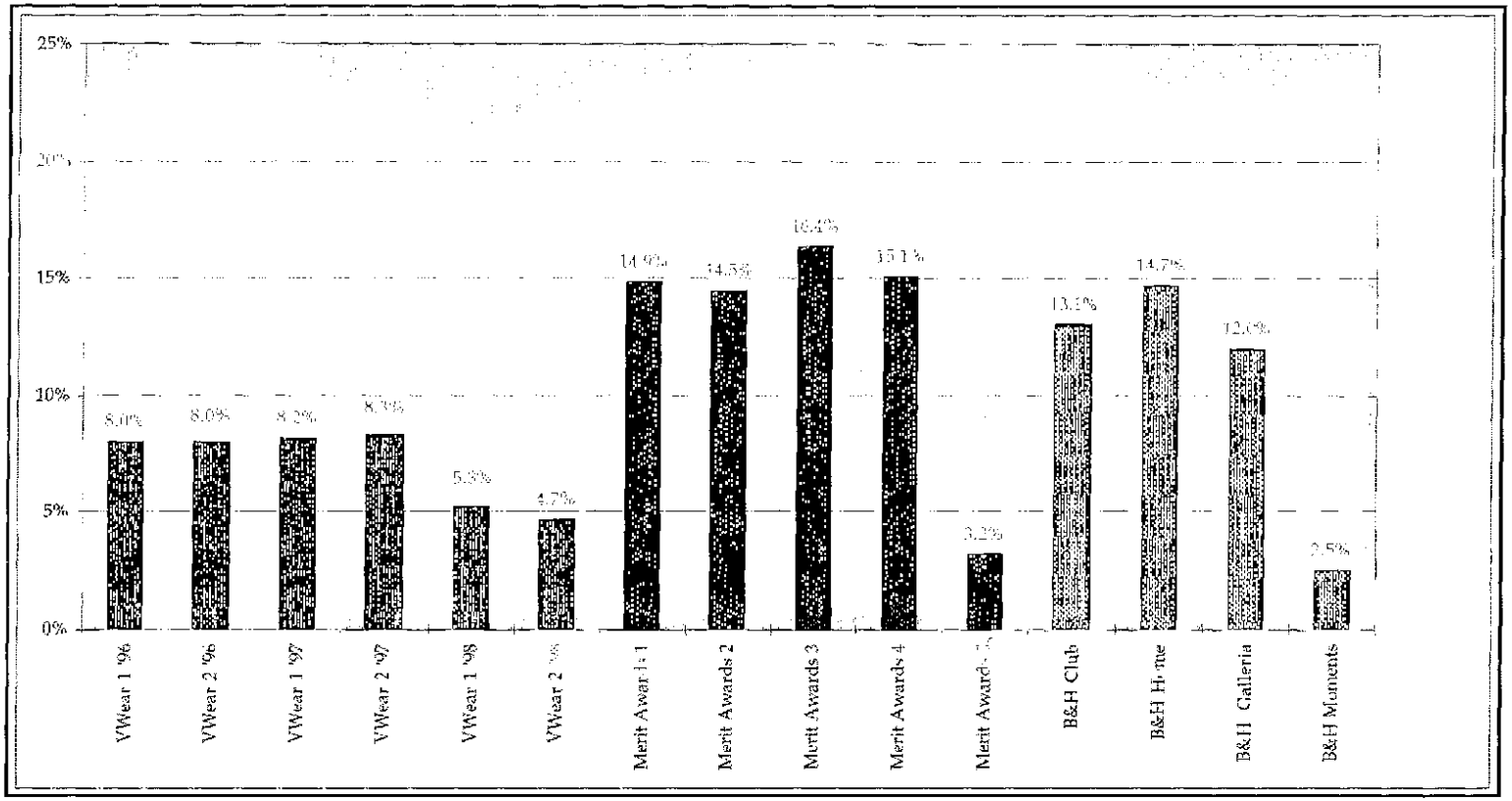
# Brand Penetration vs. Other Brands

- Due to the shorter duration of Fall VWear 1998, brand penetration was much lower than it had been in all 1996 and 1997 VWear programs.




**Brand Penetration=(# of 21+ responders)/(# of 21+ brand smokers)**
***Brand smokers is defined as the number of smokers 21 and older in the country that claim to smoke that brand (as tracked by CTS).***

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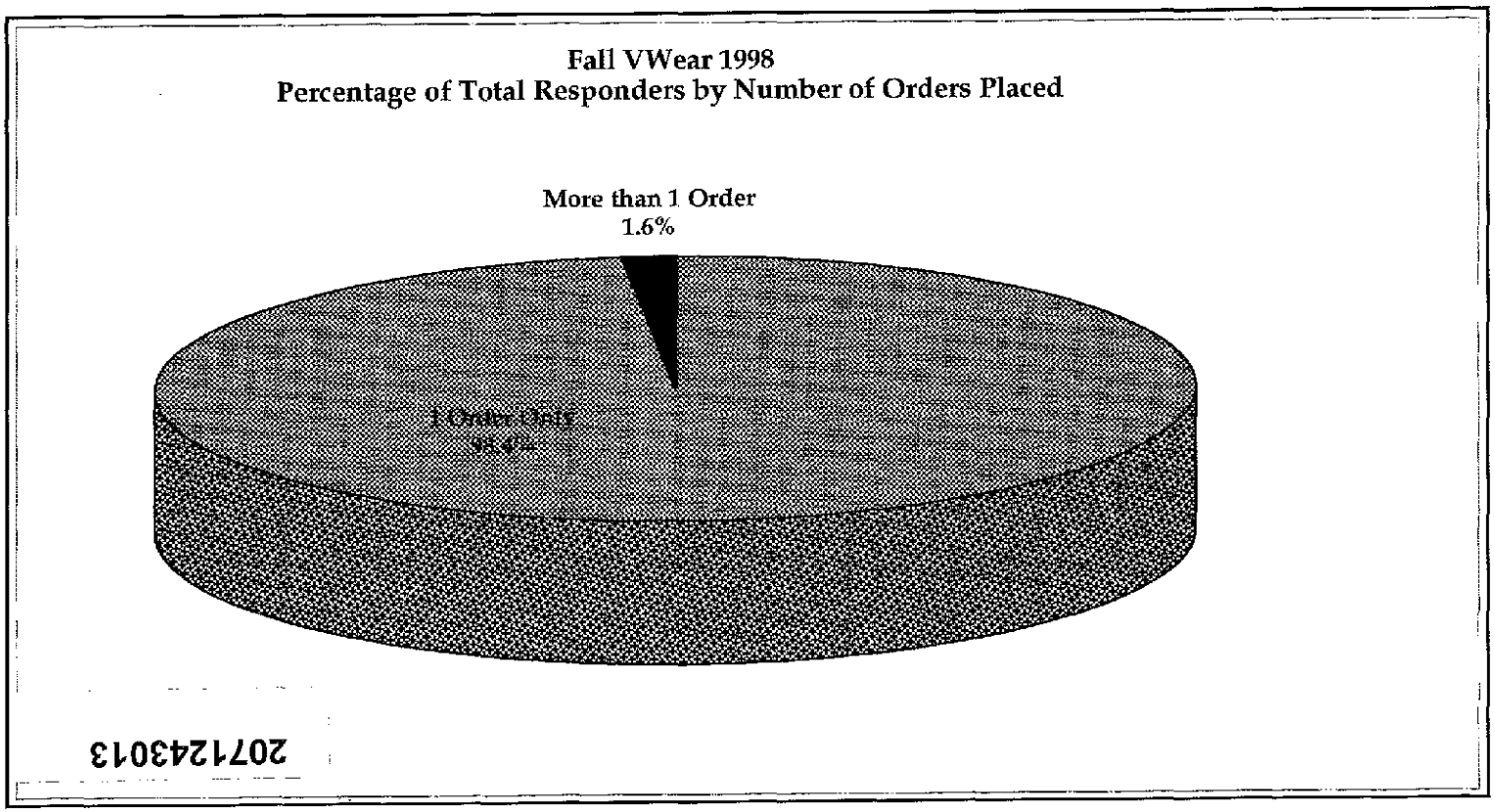
# Multiple Order Responders

- The majority of responders to Fall VWear 1998 ordered only once; approximately 2% of responders ordered more than once.

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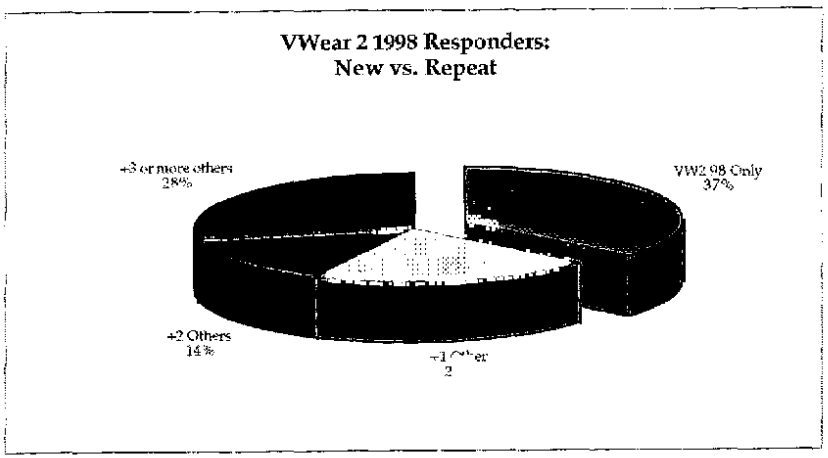
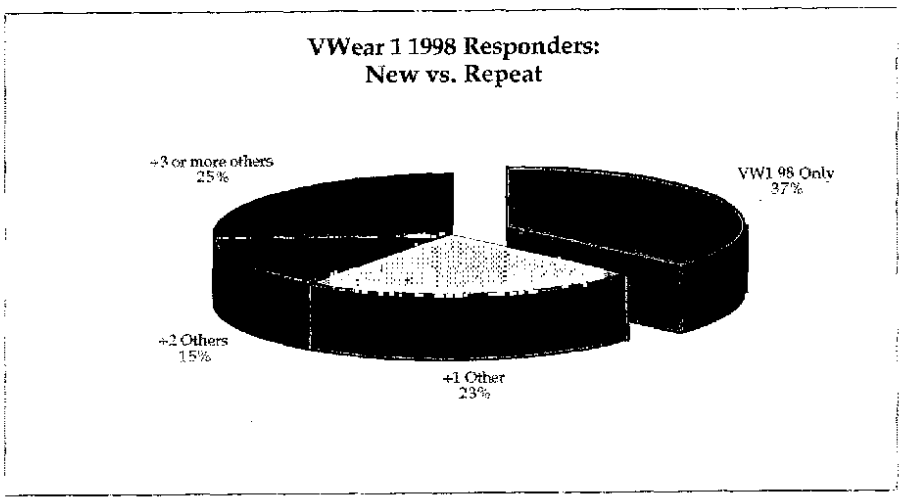
# VWear Continuity Participation




- Both VWear programs in 1998 had very similar percentages of new and repeat responders; approximately 37% of each program's responders were new to VWear continuity.

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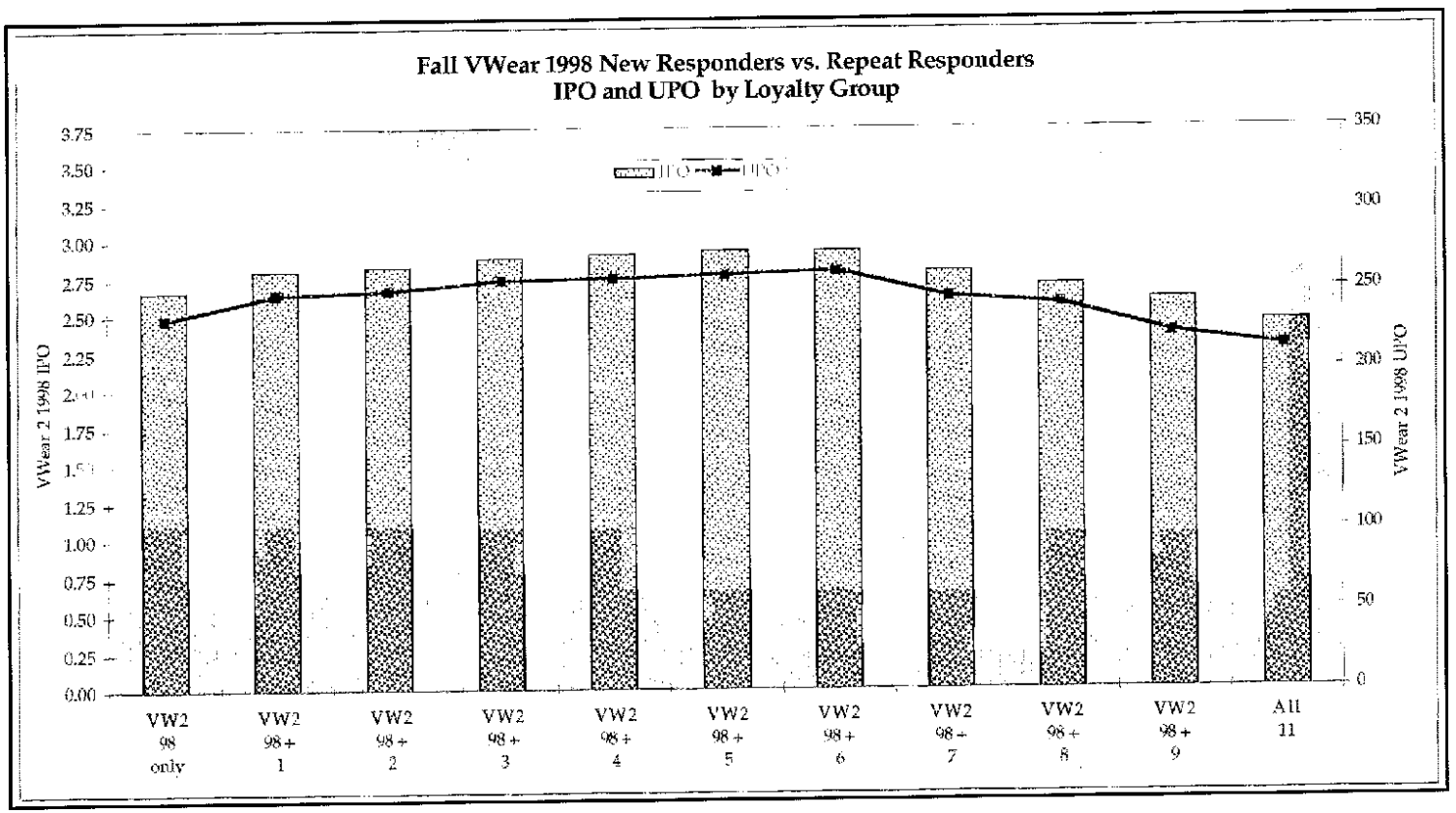
# New Responders vs. Repeat Responders

- As in past VWear programs, IPO and UPO increased with each loyalty group until reaching the middle groups (VW2 98 +5/6) where they began to decline steadily.

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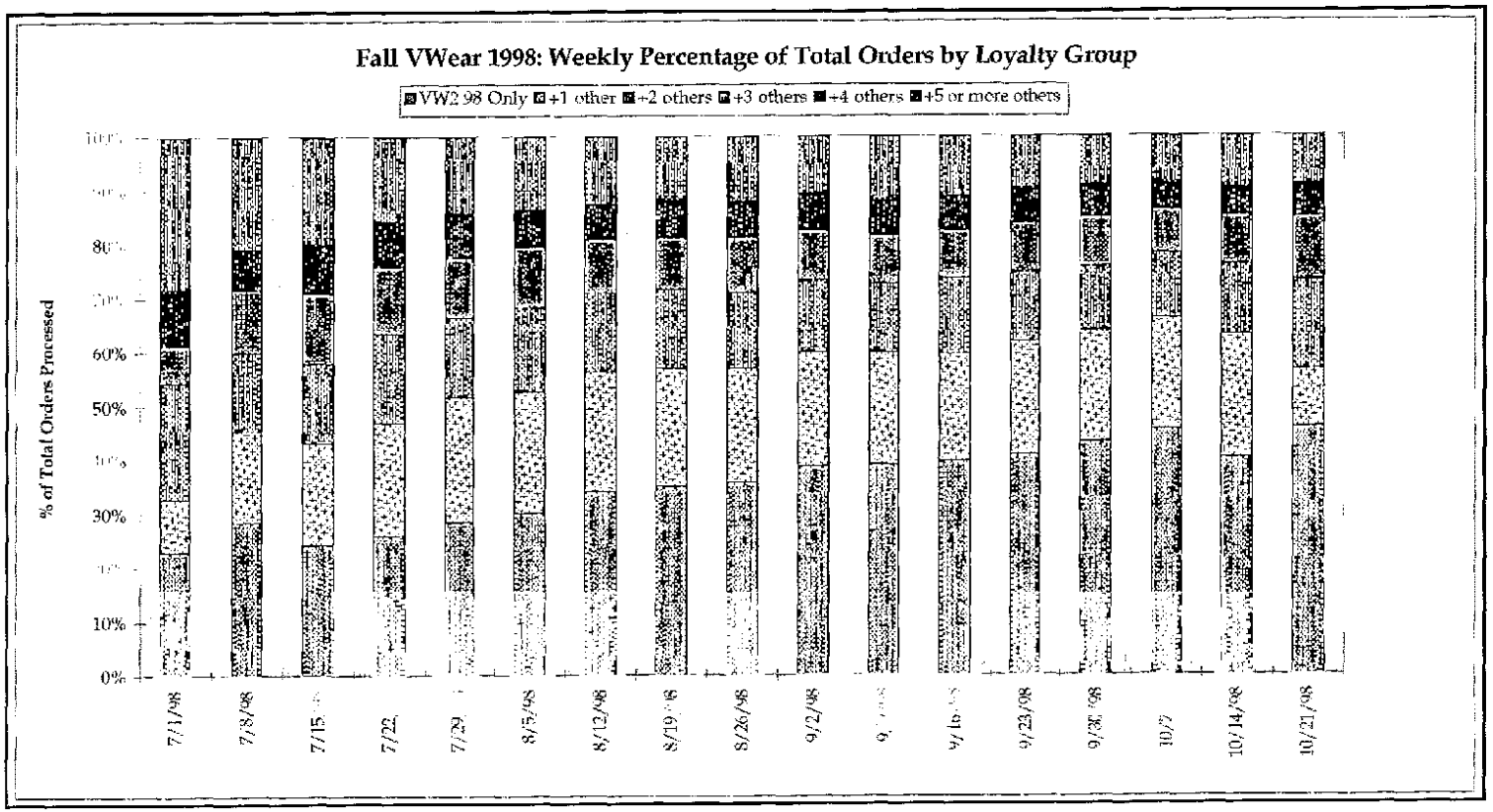
# Weekly Orders: New vs. Repeat Responders

- New responders' percentage of total weekly orders increased as the program progressed, while repeat responders accounted for a greater percentage of total orders in the early weeks of the program.

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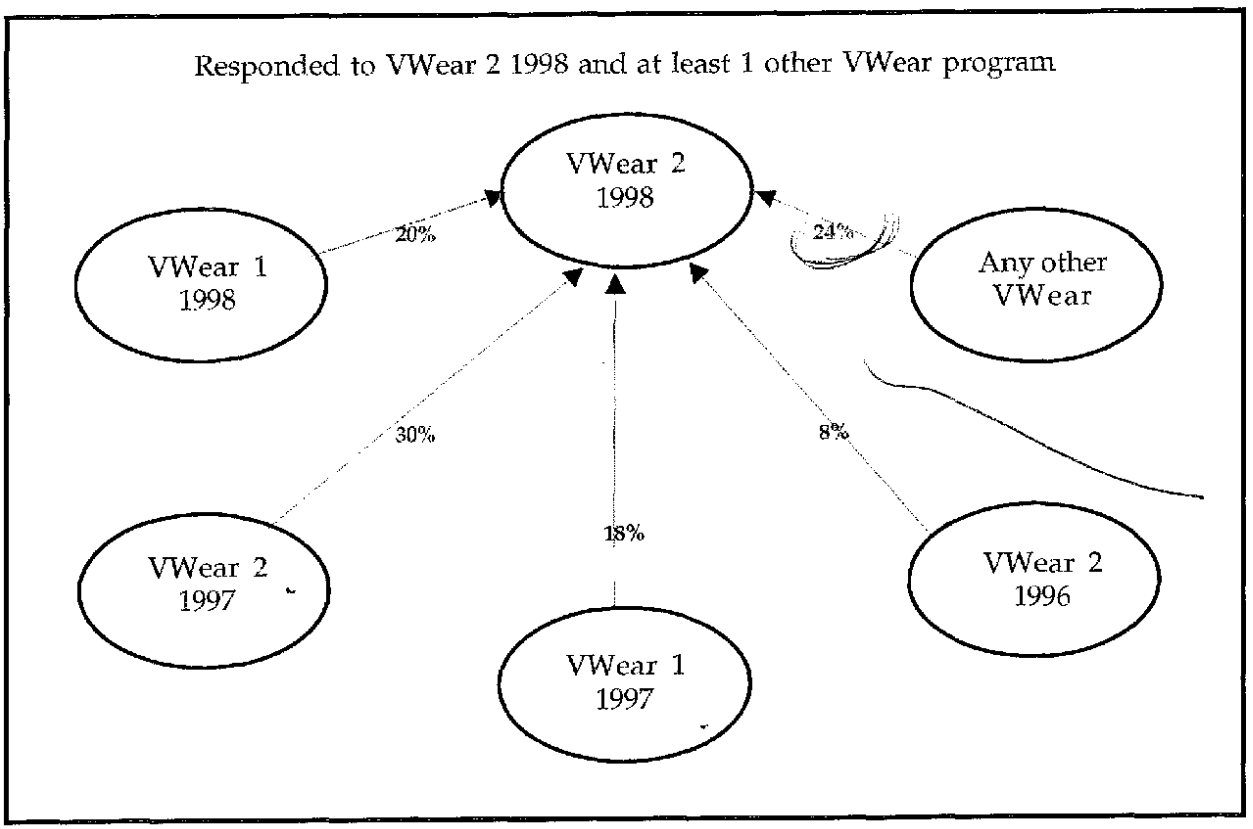
# Consecutive vs. Non-Consecutive Responders

- Approximately 50% of responders who placed orders in VWear 2 1998, also responded in either VWear 1 1998 or VWear 2 1997, the two programs immediately preceding VWear 2 1998.




Note: "Any Other VWear" refers to all programs prior to VWear 2 1996, which are all grouped together as one.

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# Item Ranking by Smoker Age

- Item popularity was consistent in the 25-54 age groups; it varied slightly in the 21-24 and 55+ age groups.

| Rank | Total | 21-24 | 25-34 | 35-44 | 45-54 | 55+ |
|---|---|---|---|---|---|---|
| 1 | Make-Up Case | 1 | 1 | 1 | 1 | 1 |
| 2 | Cigarette Case | 2 | 2 | 2 | 2 | 2 |
| 3 | Lighter | 3 | 3 | 3 | 3 | 3 |
| 4 | Sweater (S, M, L, XL) | 4 | 4 | 4 | 4 | 4 |
| 5 | Evening Bag (Blue, Brick) | 5 | 5 | 5 | 5 | 6 |
| 6 | Scarf | 7 | 6 | 6 | 6 | 5 |
| 7 | Camisole (S, M, L, XL) | 6 | 7 | 7 | 7 | 7 |

| Age Break | 21-24 | 25-34 | 35-44 | 45-54 | 55+ |
|---|---|---|---|---|---|
| % of Total Responders | 1.3% | 13.0% | 37.6% | 25.2% | 22.9% |
| % of Total Items Ordered | 1.1% | 11.8% | 38.5% | 26.0% | 22.5% |

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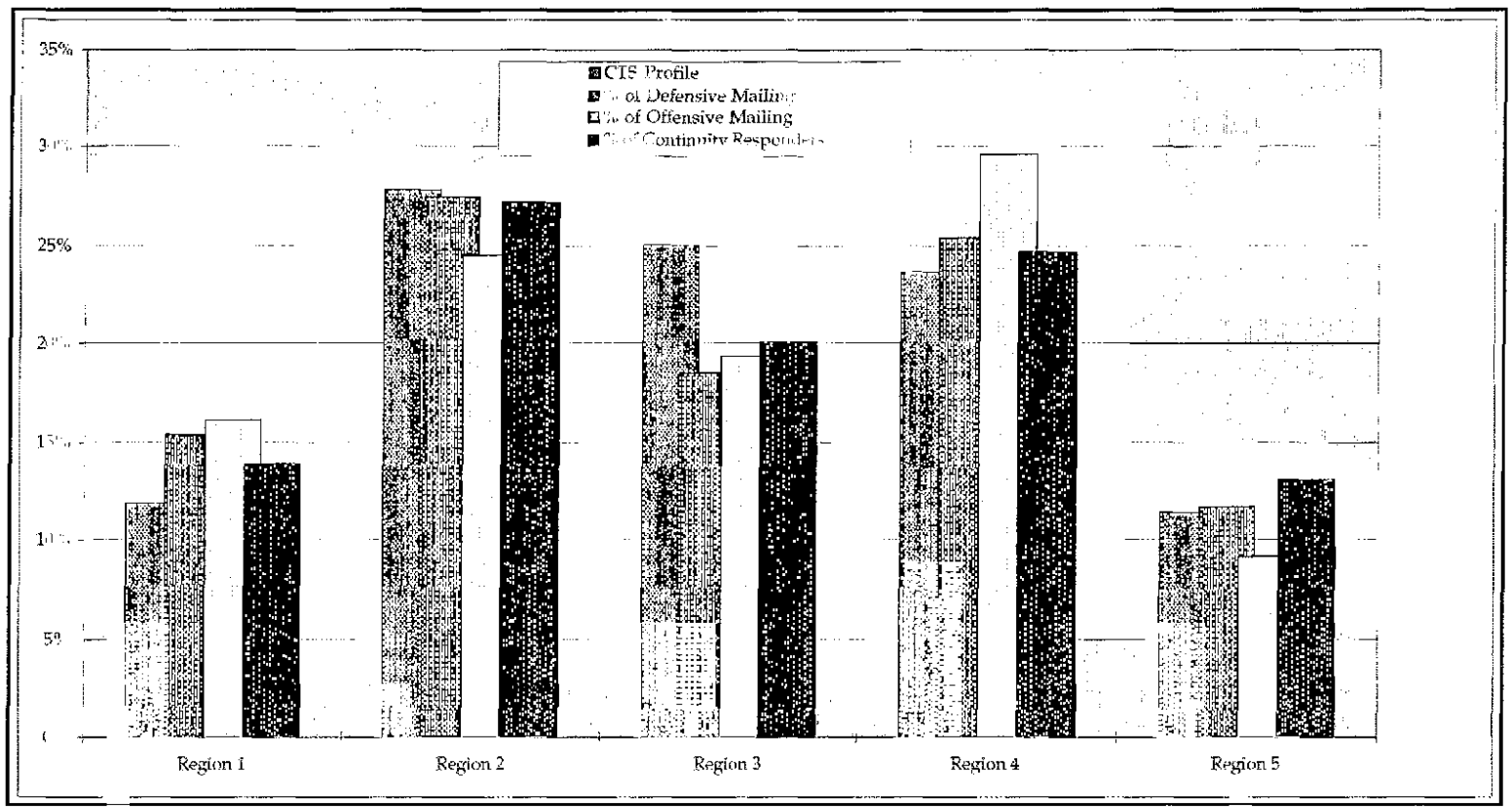
# Responders vs. Mail vs. Profile (Region)

- Response to Fall VWear 1998 was highest in Region 2 where smoker profile and defensive direct mail circulation were also highest.

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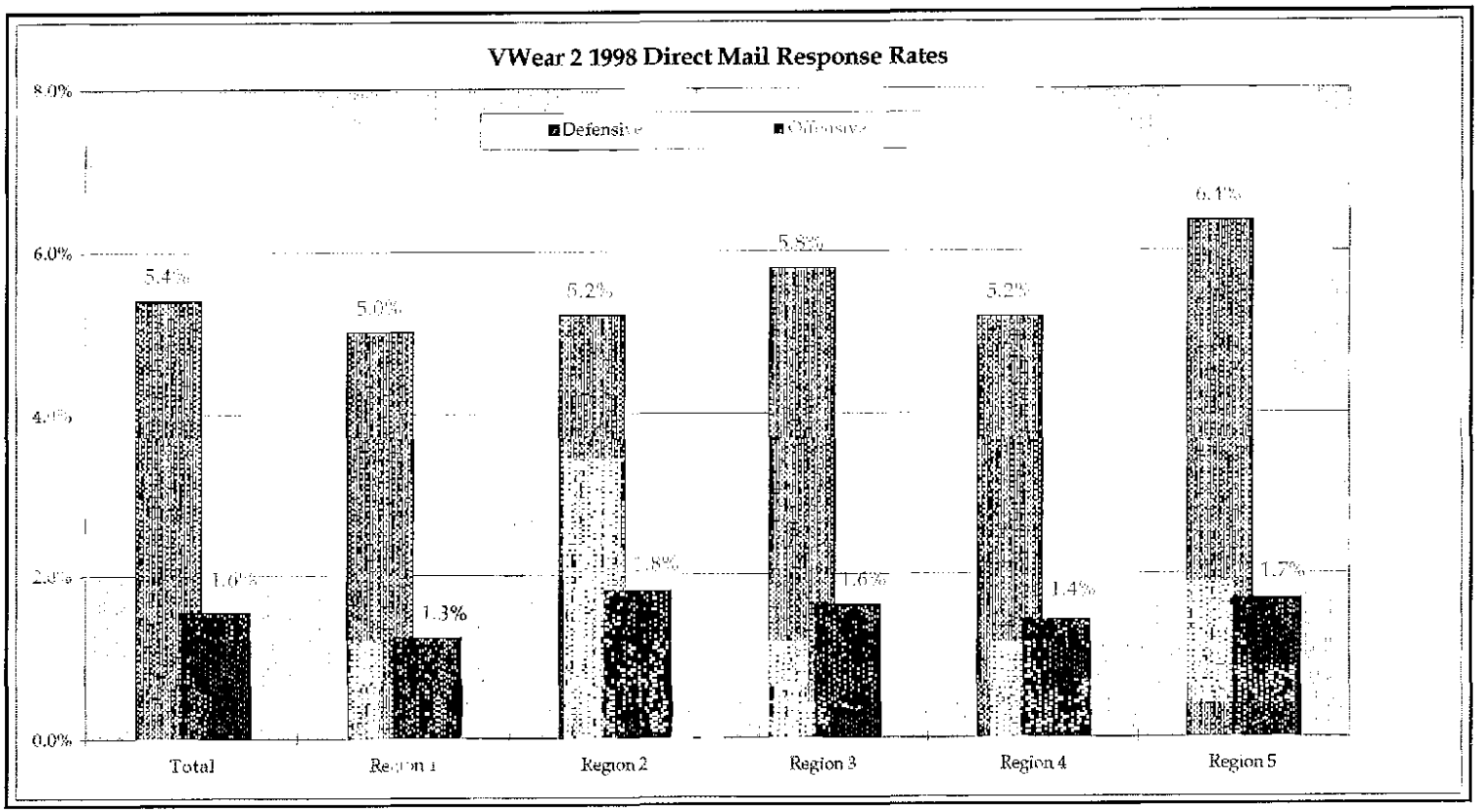
# Direct Mail Response Rates (Region)

- Defensive direct mail response rates were highest in Region 5, while offensive direct mail response rates were fairly consistent across regions.

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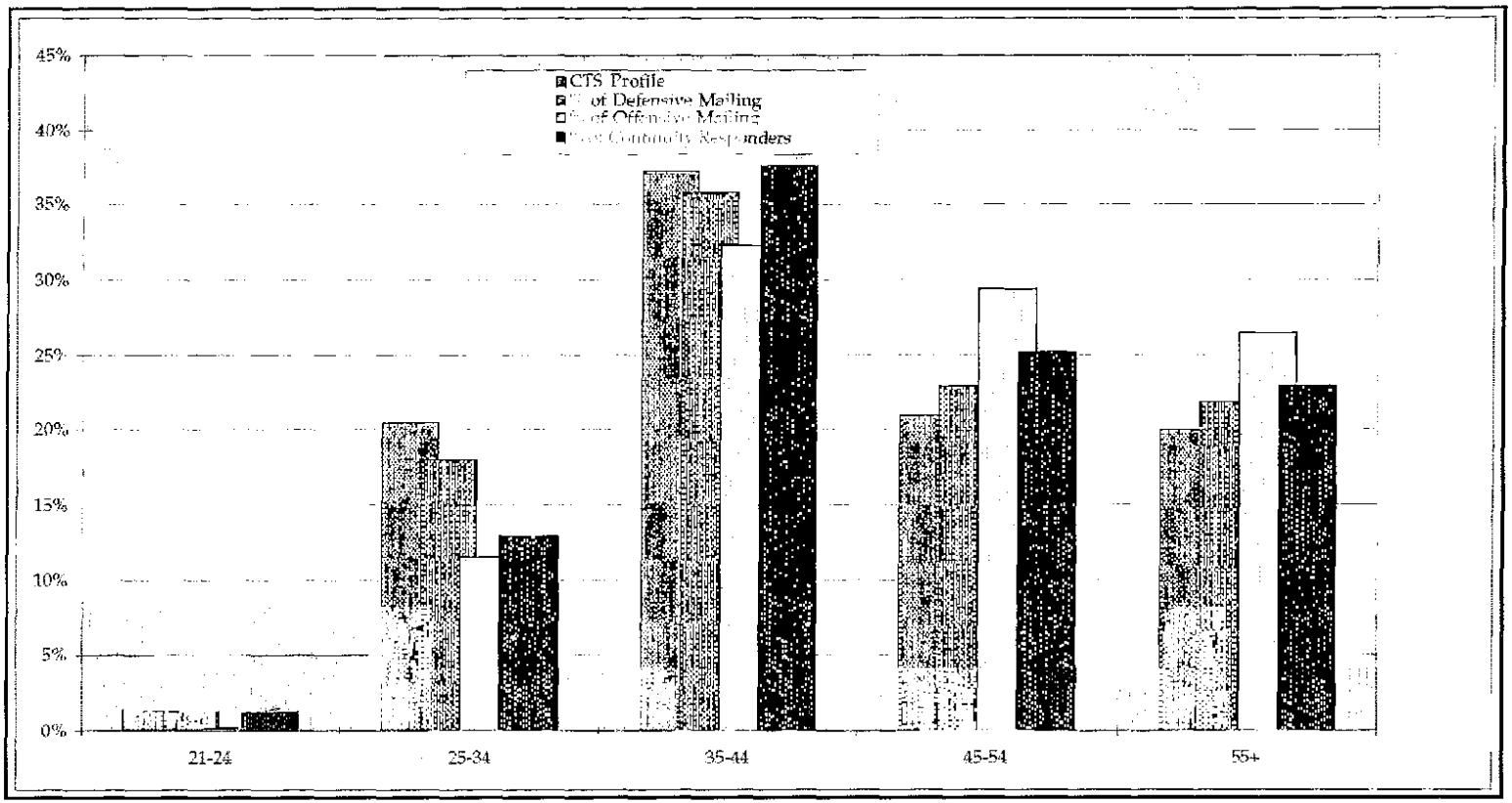
# Responders vs. Mail vs. Profile (Age)

- Response to VWear continuity programs continues to be highest in the 35-44 year old smoker age group.

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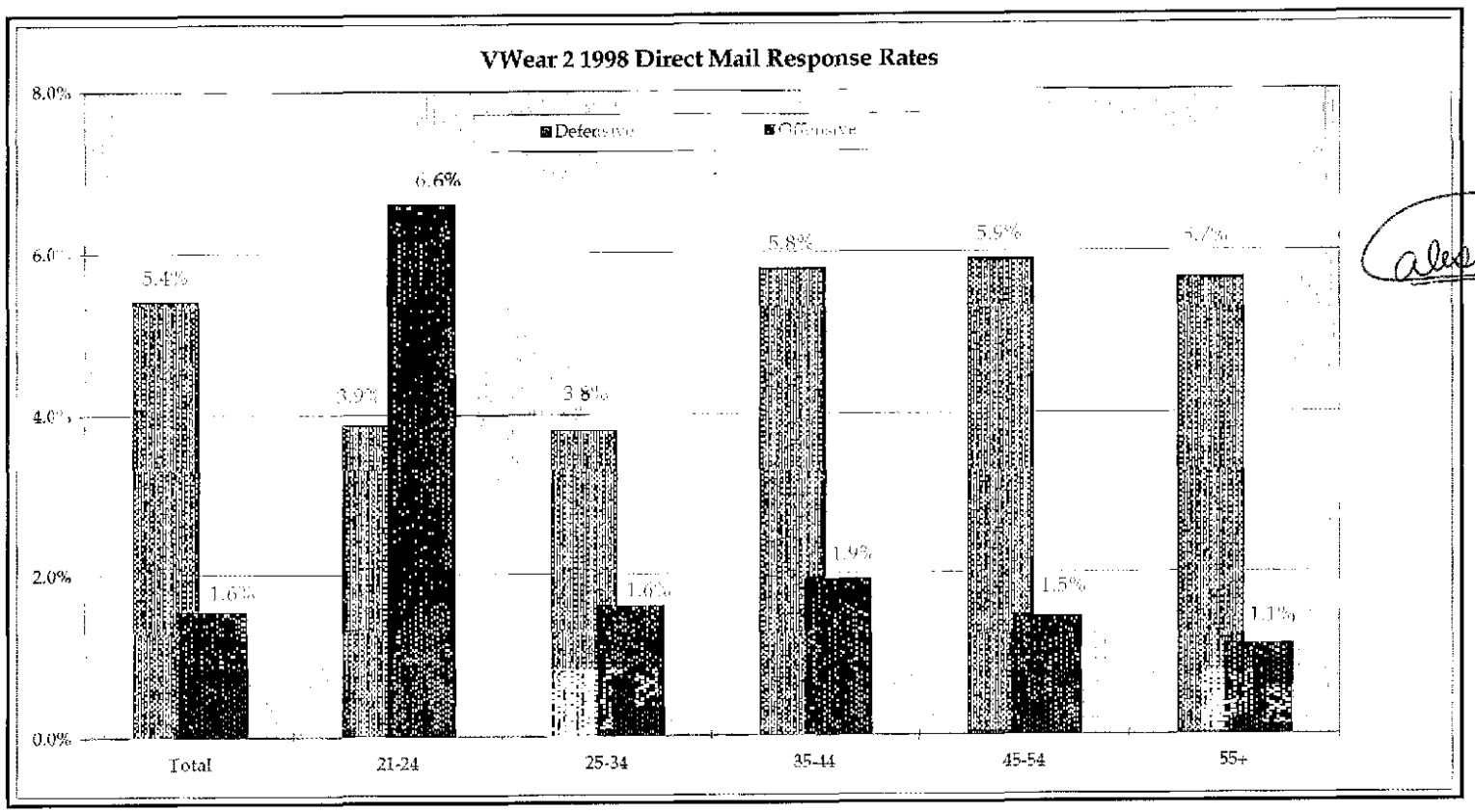
# Direct Mail Response Rates (Age)

- The 21-24 year old smoker group's direct mail response rates were unusually high, particularly the offensive direct mail response rate.

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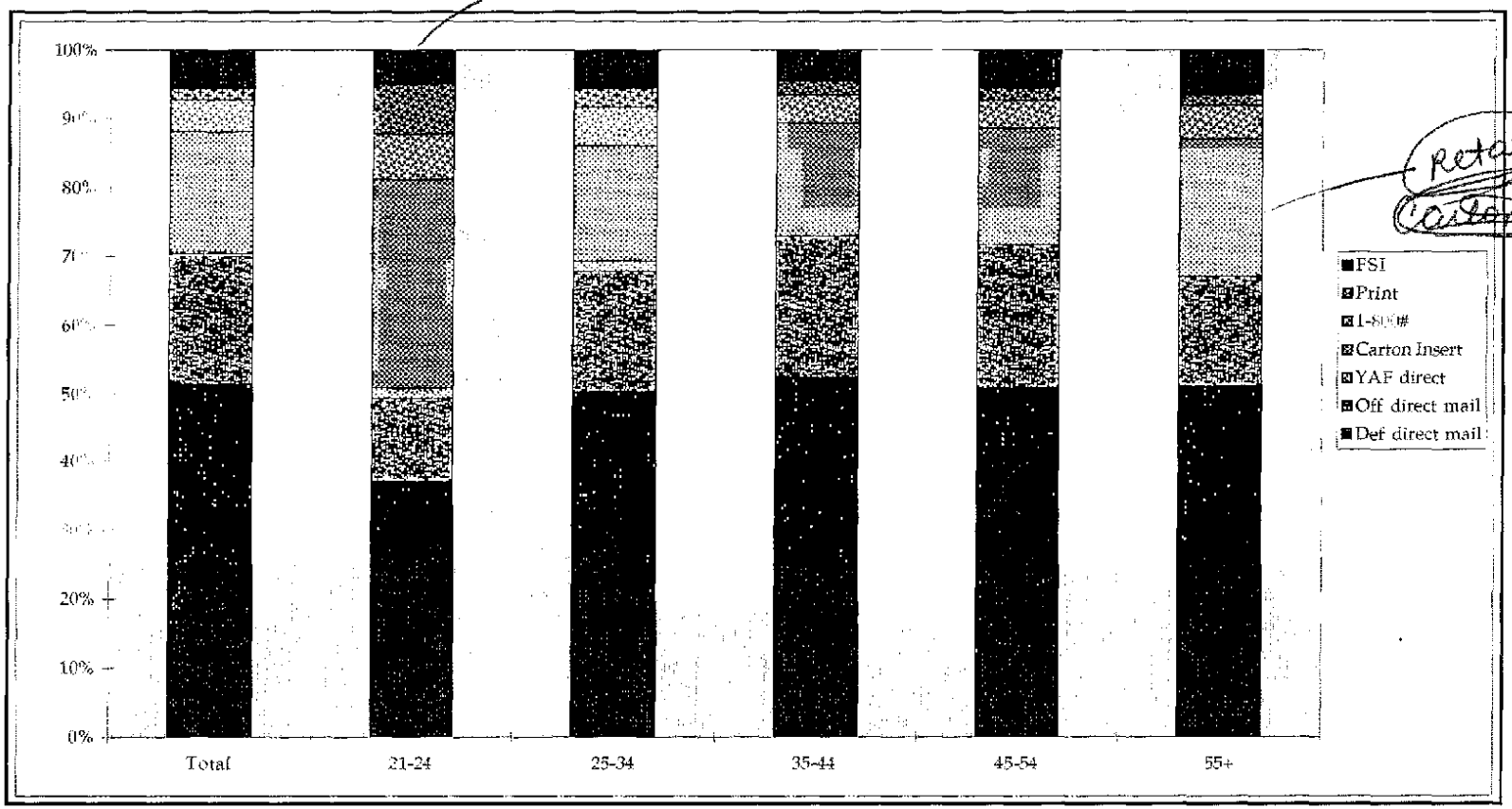
# Responders by Media Vehicle by Age

- Total direct mail was the primary response vehicle in VWear 2 1998, accounting for approximately 70% of response in each age group, except in the 21-24 year old group where direct mail generated only 50% of response.

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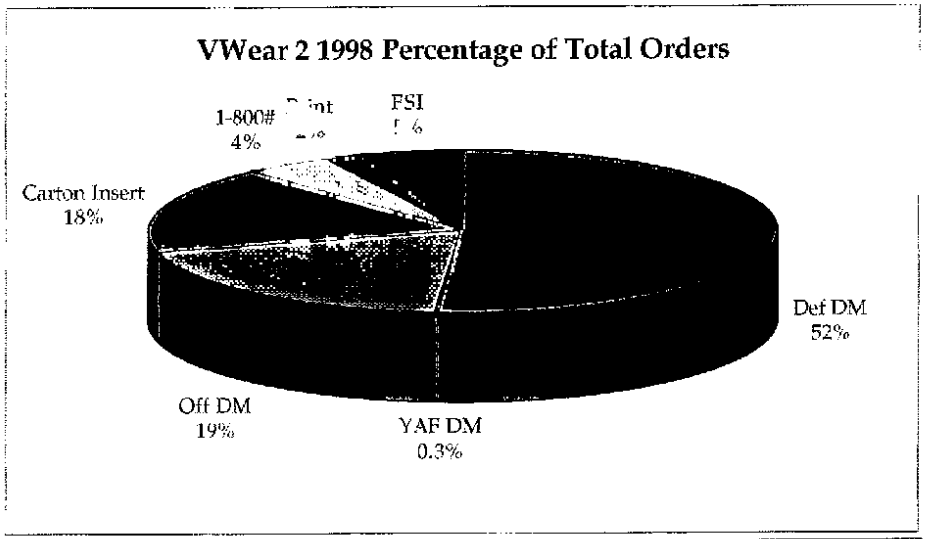
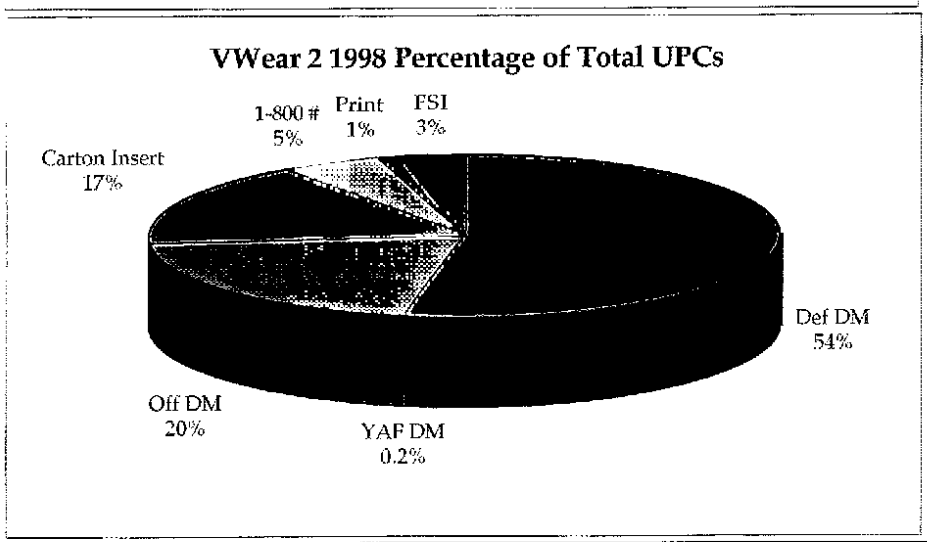
# Total Program Response by Media Vehicle




- Non-direct mail response generated approximately 30% of total orders and 25% of total UPCs.

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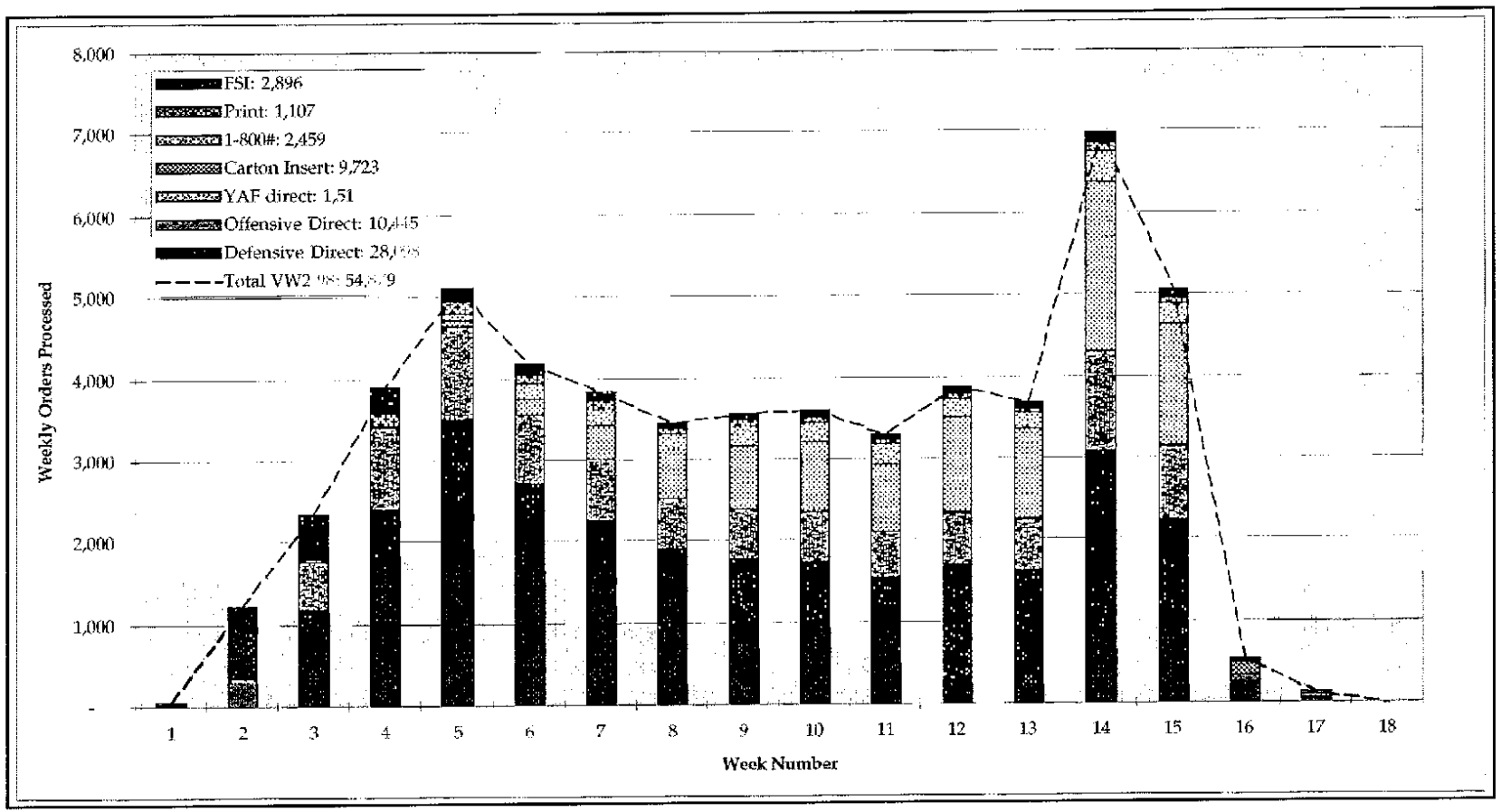
# Weekly Orders by Media Vehicle

- Orders throughout the middle of Fall VWear 1998 remained fairly flat, unlike in other VWear programs where orders typically declined through the middle.

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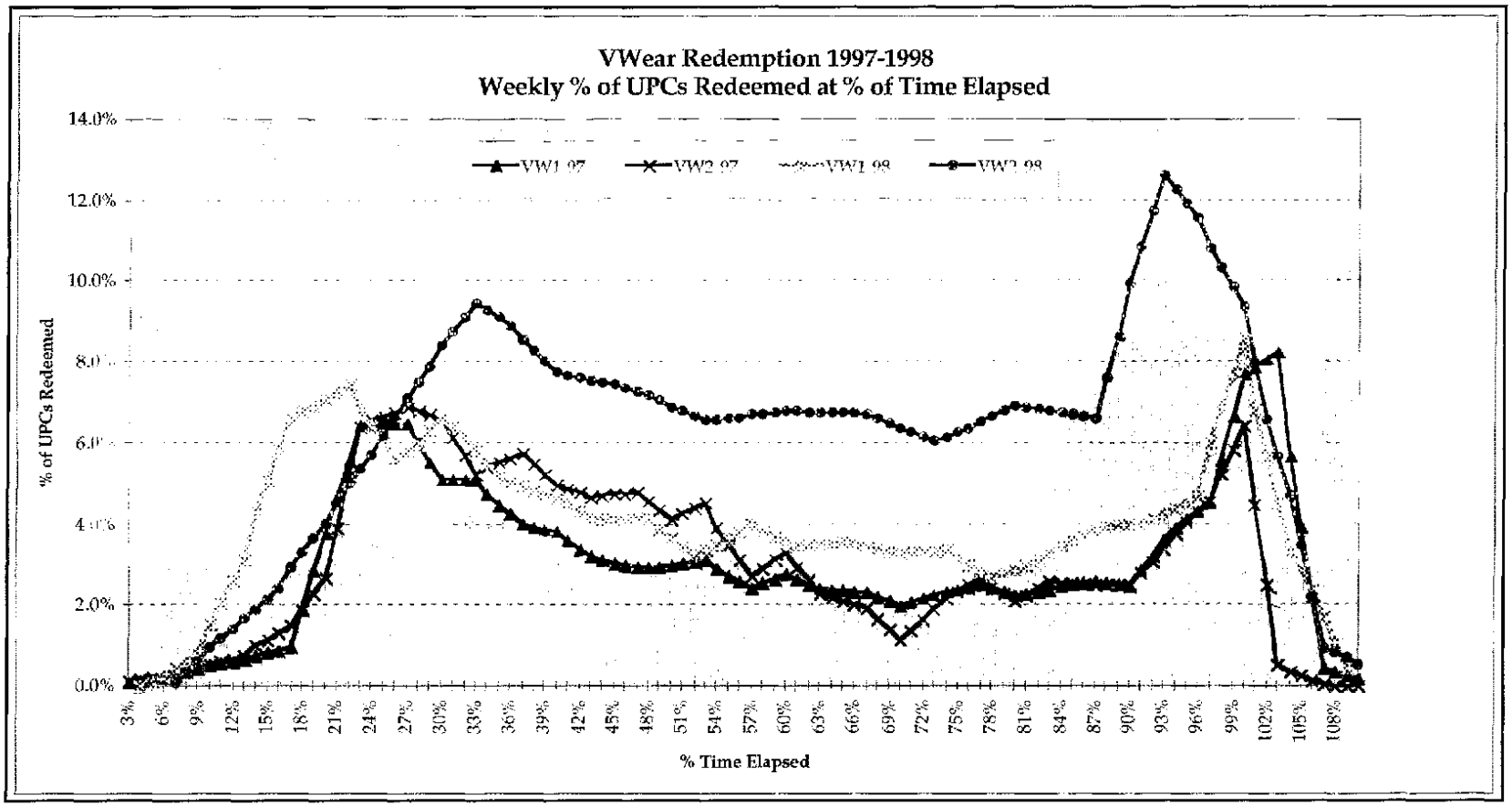
# Weekly Percentage of UPCs Redeemed

- Due to the shorter duration of VW2 1998, the weekly % of UPCs Redeemed at % time elapsed was greater than in the past, particularly during the surge.

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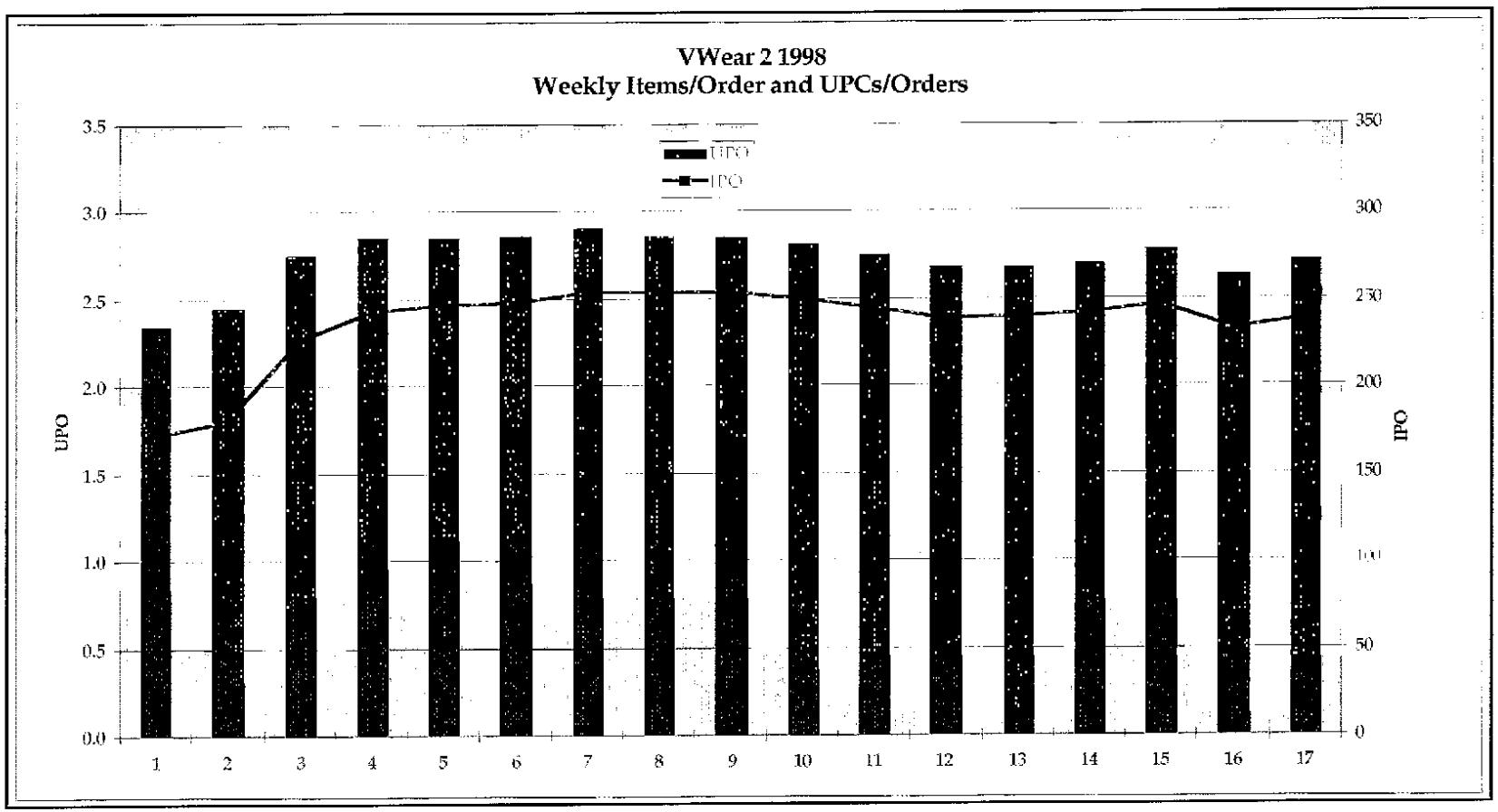
# Weekly Items/Order and UPCs/Order

- After the first several weeks of the program, there was very little variation in the IPO and UPO, even during the final surge.

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# Fall VWear 1998 Forecasting

| | CUM UPCs | CUM Mail Receipts |
|---|---|---|
| Bid Forecast: 2/27/98 | 14.5MM | 76M |
| Initial Weekly Forecast: 3/27/98 | 21.2MM | 84M |
| Reforecast: 8/24/98 | 13.6MM | 57M |
| Actual: 10/28/98 | 13.4MM | 55M |

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# Conclusions

- Fall VWear 1998 program results were similar to those of other VWear programs of similar duration. Decreasing duration decreases response in terms of all variables (orders, items, UPCs, UPO, IPO), but not by amounts that are proportional with the decrease in duration. Response in terms of orders may decrease with duration, but items and UPCs do not decrease at the same rate, depending on the number of items offered and the average UPC cost.
- The percentage of new responders to VW2 98 was consistent with the percentage of new responders to VW1 98, the previous program. Repeat responders tend to redeem more heavily at the beginning of the program, while new responders make up a greater percentage of weekly orders in the second half of the program.
- Just as in past VWear programs, Direct Mail was the primary vehicle of Fall VWear 1998, generating 70% of total orders and 75% of total UPCs; the carton insert was the primary non-direct mail vehicle, generating 18% of total orders and 17% of total UPCs.

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# Appendix

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# Item Indices by Smoker Age

| Item | UPC | 21-24 | 25-34 | 35-44 | 45-54 | 55+ |
|---|---|---|---|---|---|---|
| Cigarette Case | 60 | 115 | 111 | 104 | 106 | 81 |
| Lighter | 60 | 108 | 112 | 104 | 100 | 87 |
| Evening Bag (Blue, Brick) | 70 | 92 | 84 | 95 | 103 | 115 |
| Scarf | 80 | 44 | 54 | 68 | 106 | 174 |
| Make-Up Case | 110 | 101 | 109 | 105 | 97 | 90 |
| Camisole (S, M, L, XL) | 110 | 151 | 91 | 108 | 97 | 93 |
| Sweater (S, M, L, XL) | 135 | 82 | 82 | 98 | 91 | 125 |

**Index: (# of item A ordered by age group/# items ordered by age group)/(# of item A ordered by all/# items ordered by all)**

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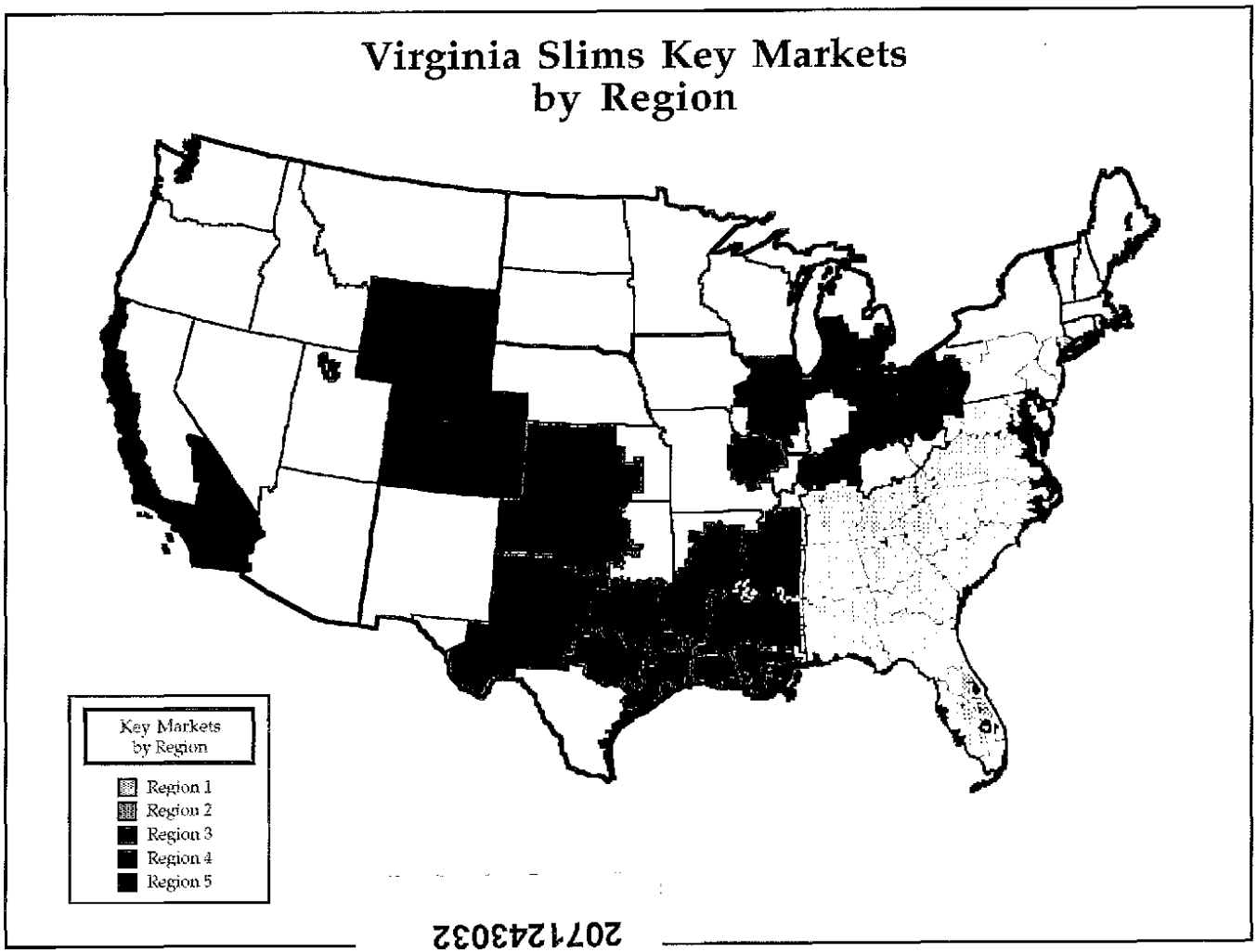
# Virginia Slims Key Retail Markets

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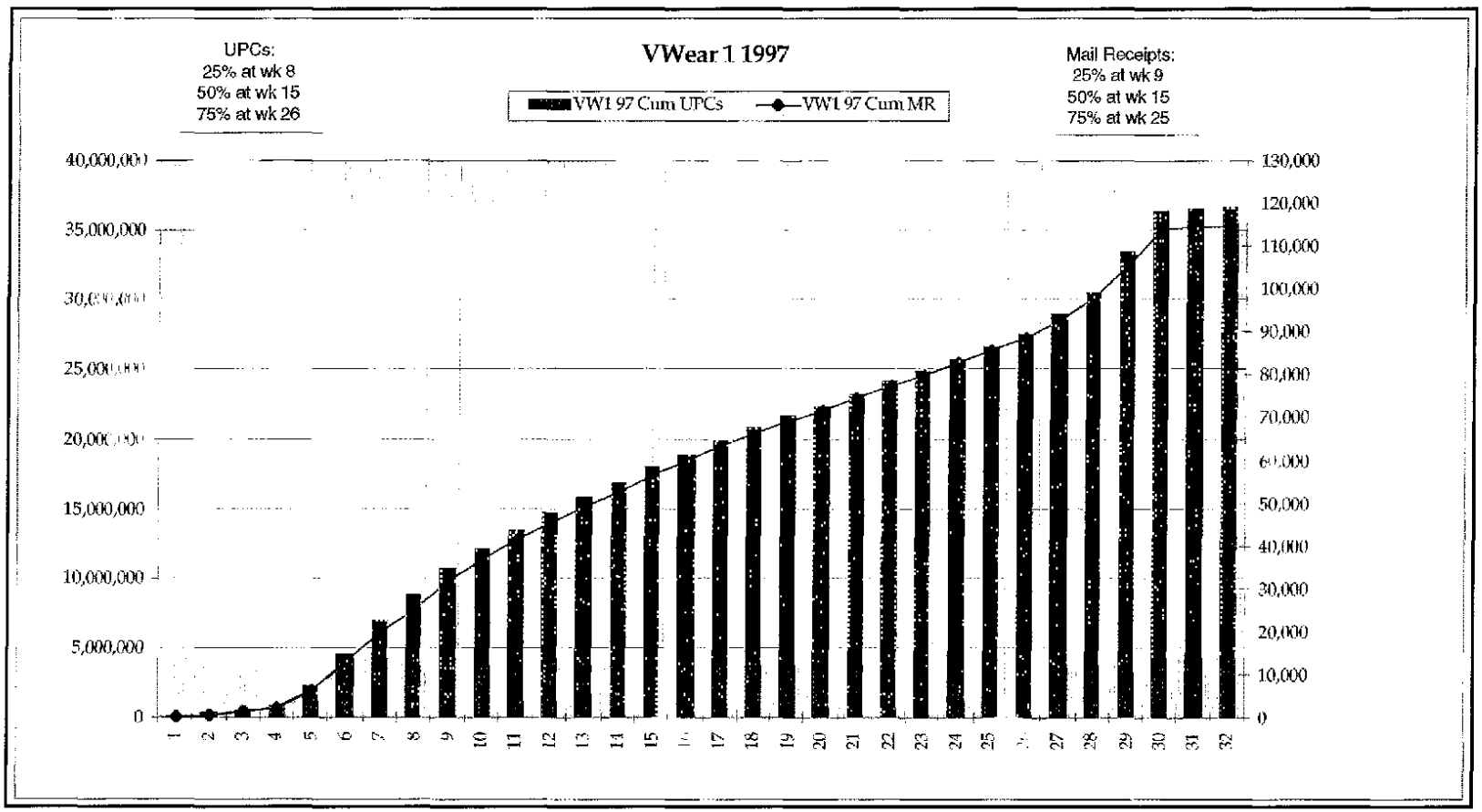
# Cumulative MR and UPCs: VWear 1 1997

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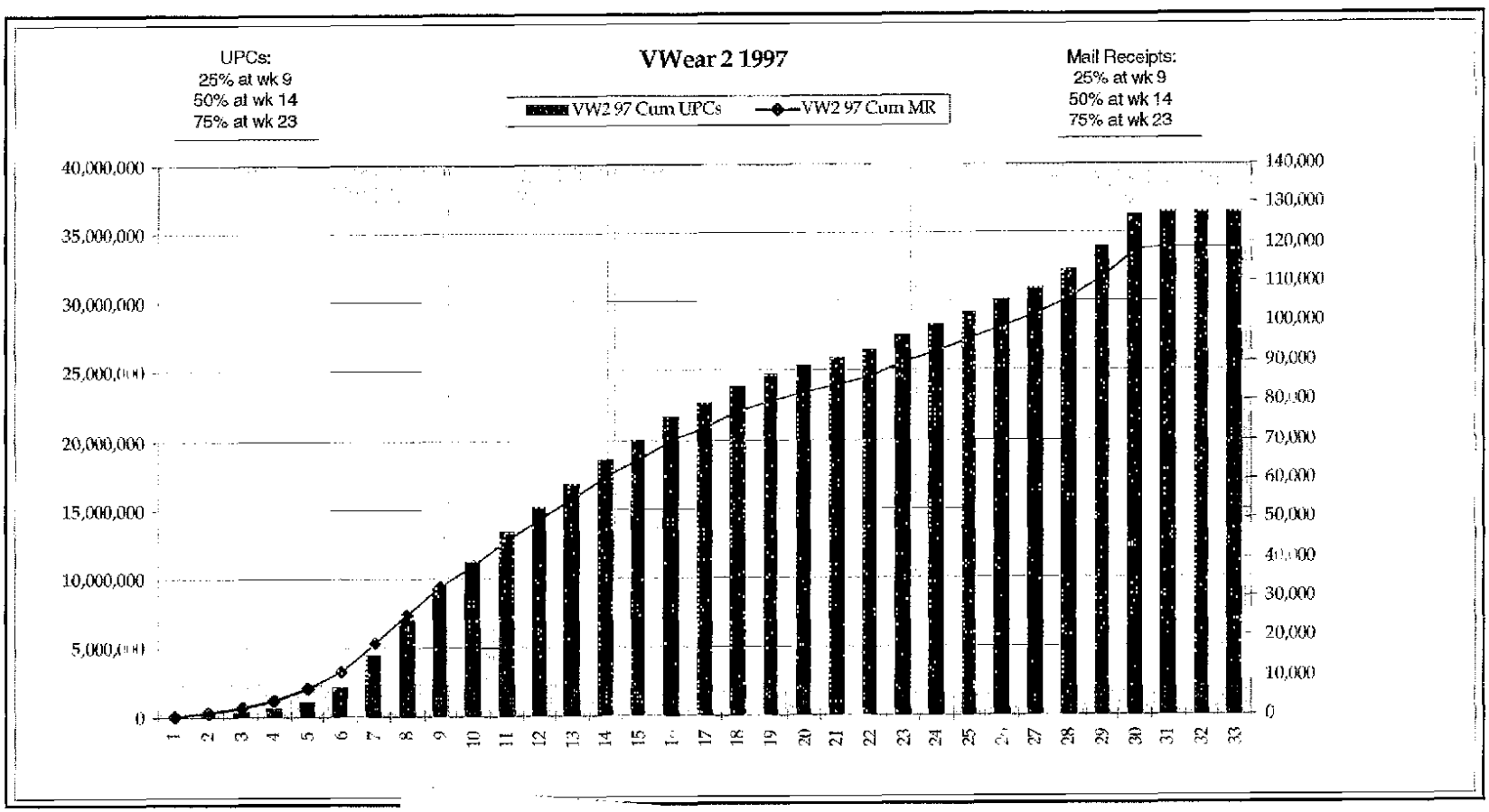
# Cumulative MR and UPCs: VWear 2 1997

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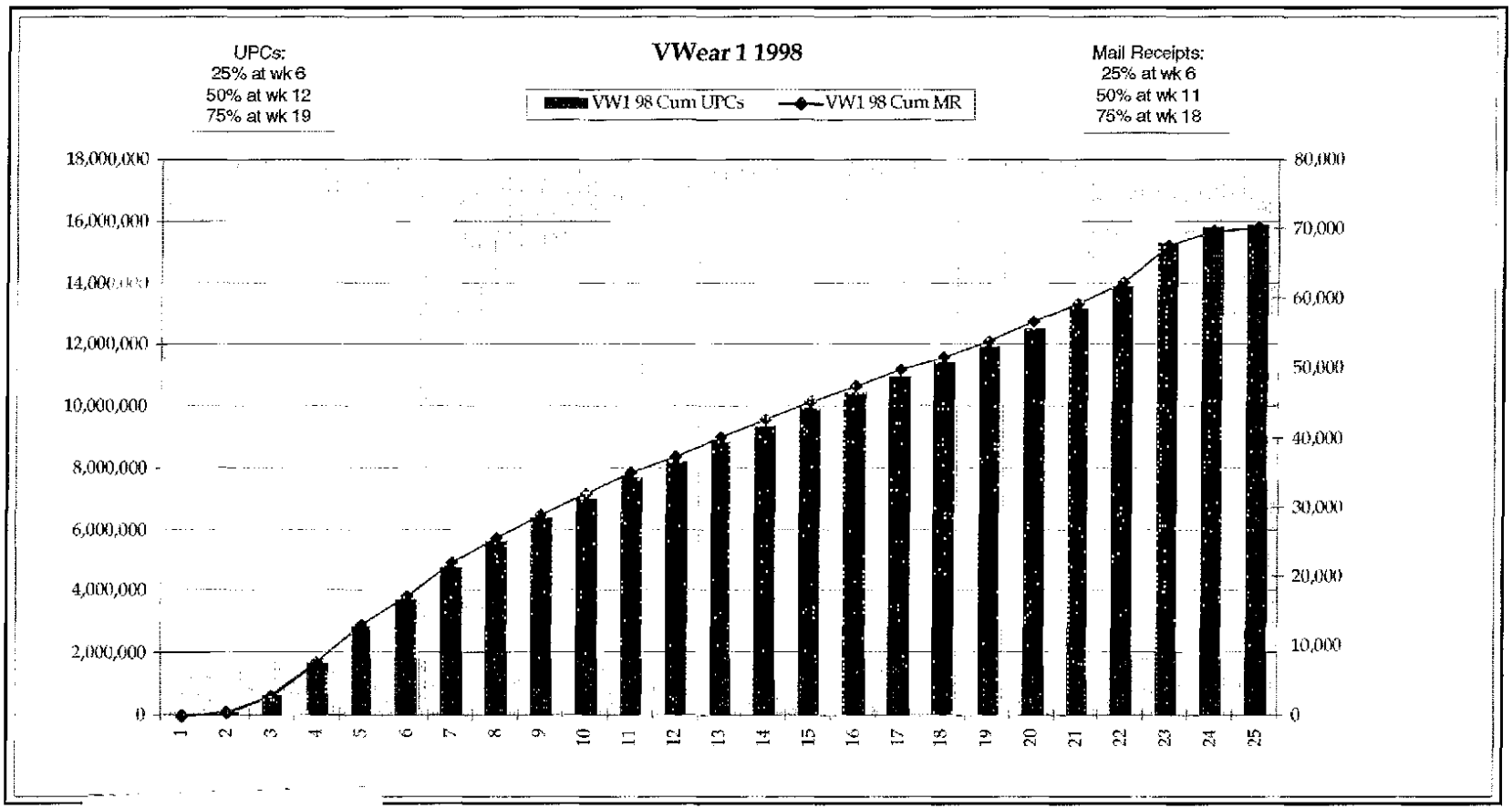
# Cumulative MR and UPCs: VWear 1 1998

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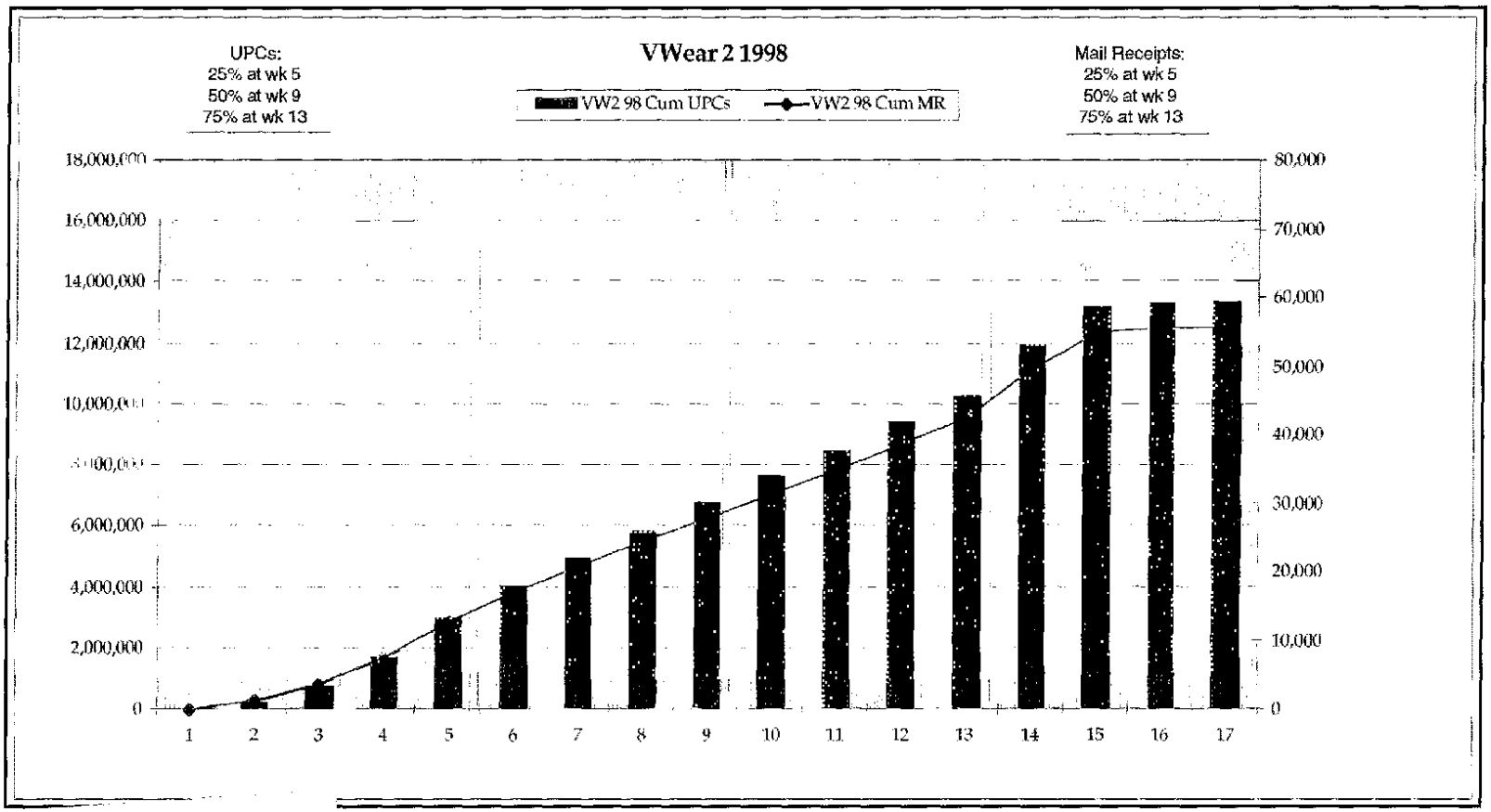
# Cumulative MR and UPCs: VWear 2 1998

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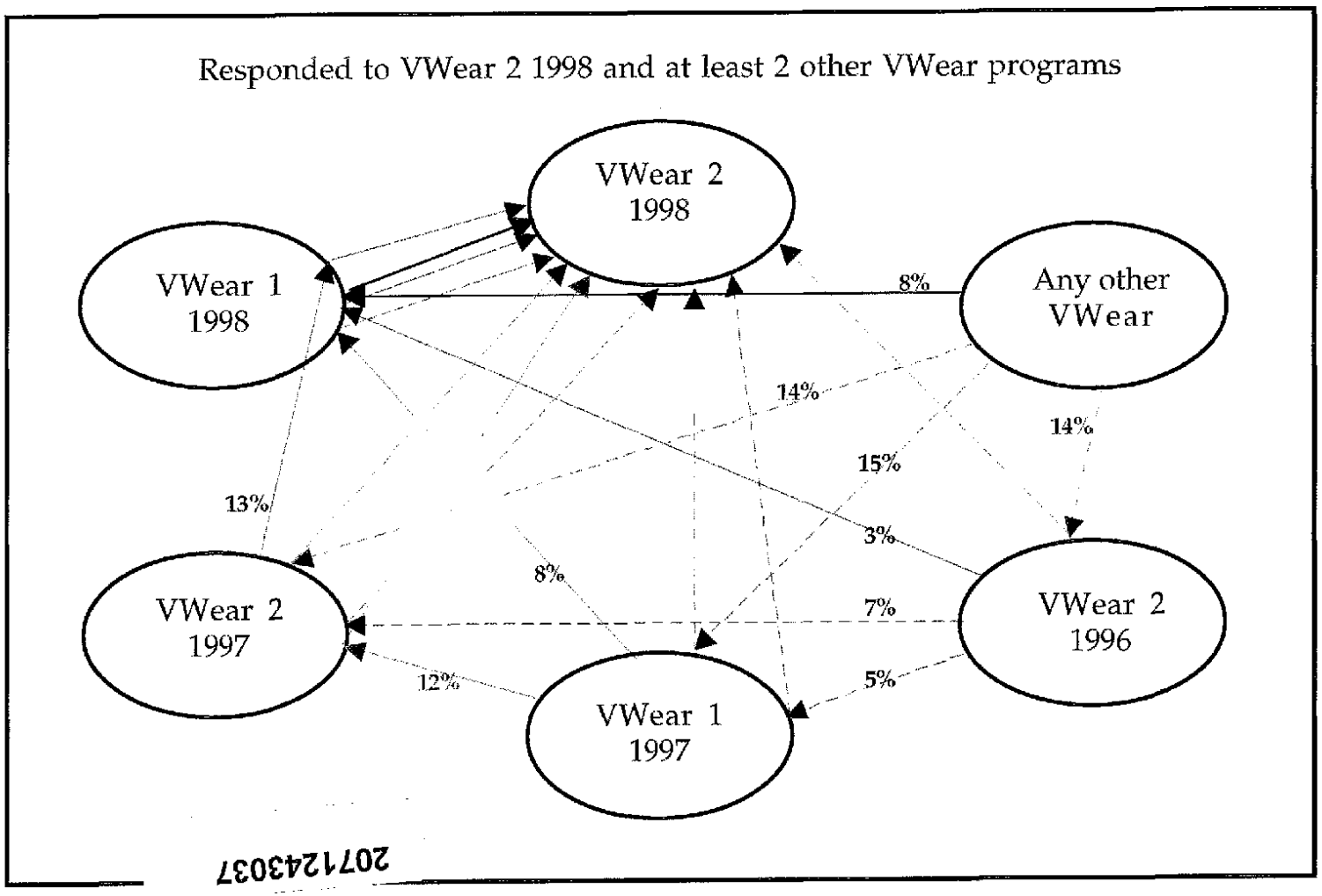
# Consecutive vs. Non-Consecutive Responders

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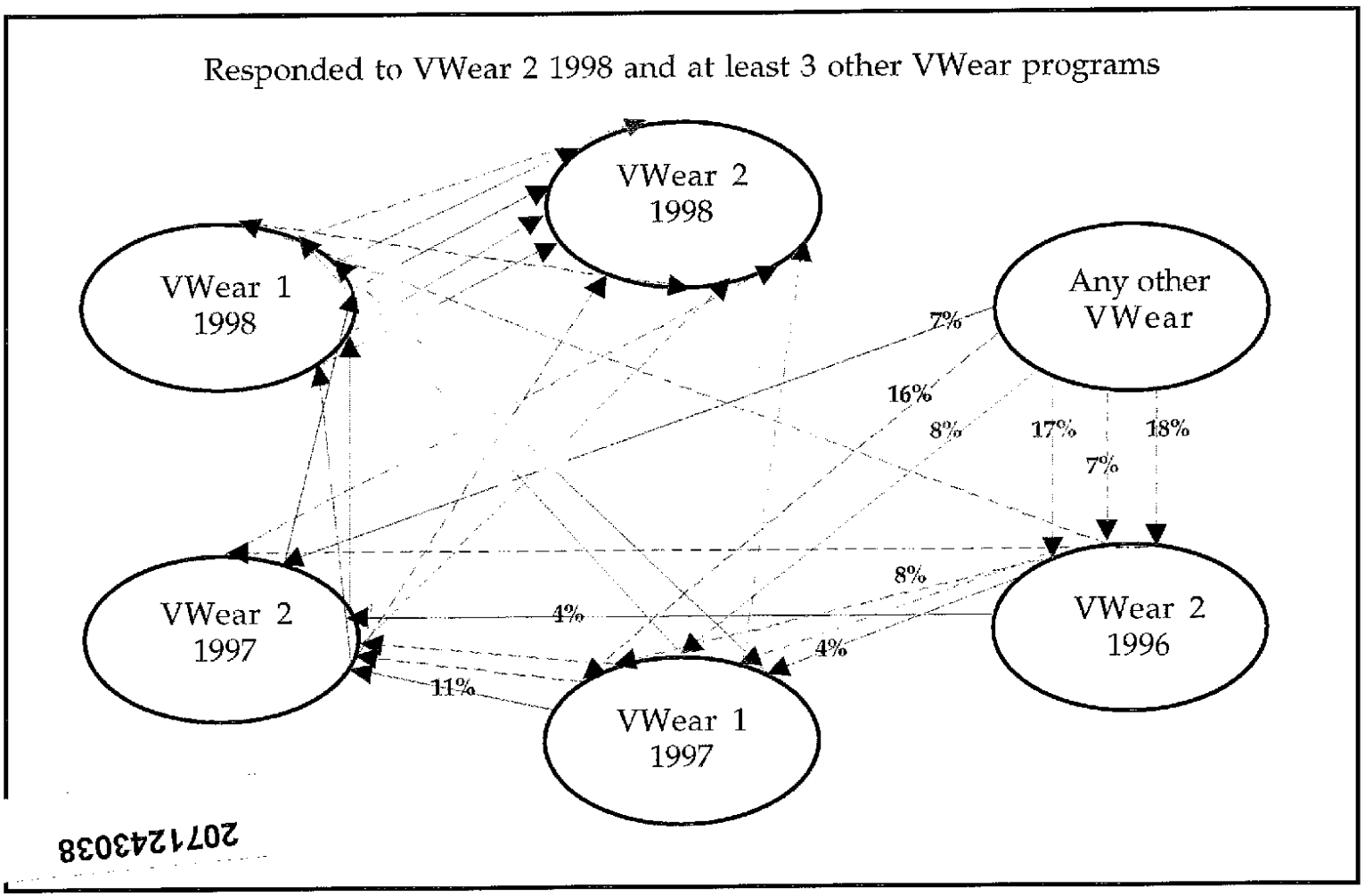
# Consecutive vs. Non-Consecutive Responders

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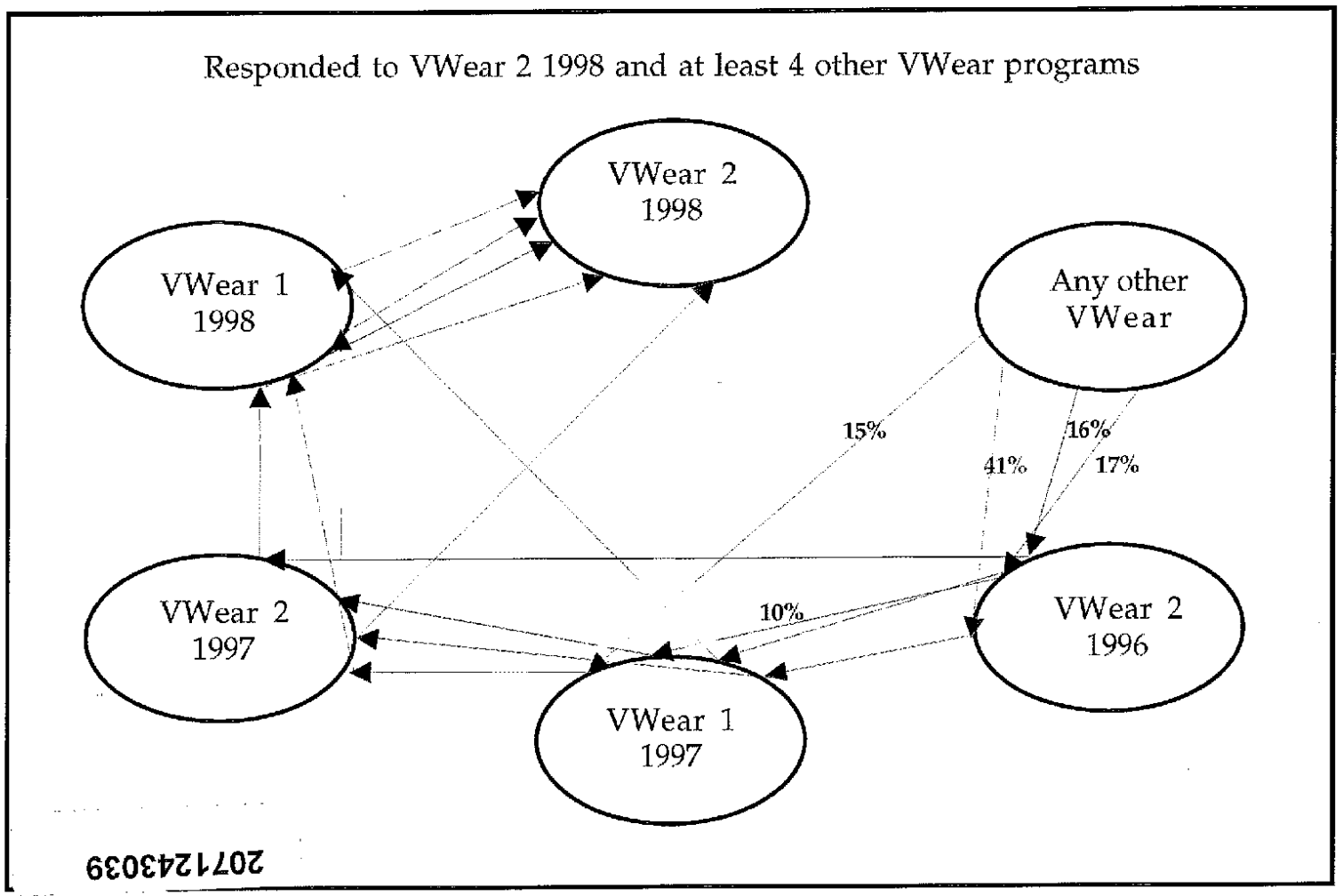


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